

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2417 - HB 2393

March 6, 2014

**SUMMARY OF BILL:** Authorizes voters within and outside city limits of a county to vote in any referendum on a county-wide sales tax increase proposed after a city in the county adopts a sales tax, regardless of whether the proposed county-wide tax is at the same or higher rate as the city tax.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – The proposed legislation would result in a significant fiscal impact to the local governments if the outcomes of any future county elections to increase the county-wide sales tax rate are changed as a direct result of allowing city voters to participate in the elections. However, due to multiple unknown factors, any such fiscal impact cannot be quantified with reasonable certainty.**

Assumptions:

- Under current law, voters residing inside city or town limits are not authorized to vote in any referendum on a county-wide sales tax increase if the total county-wide sales tax rate after such increase will not be higher than the rate that is already operative in the city or town. If a county legislative body adopts a resolution to levy the tax at a higher rate than the rate of the city or town tax, the election shall also be open to the voters of the city or town.
- The proposed legislation would authorize voters residing inside city or town limits to vote in any referendum on a county-wide sales tax increase, regardless of whether or not the proposed county-wide tax rate is same or higher than the city or town rate.
- Based on information provided by the County Technical Assistance Service (CTAS), it is estimated that there are currently 16 counties with cities that have a greater local sales tax rate than the county rate.
- According to CTAS, city voters will have an incentive to vote against any county-wide sales tax increases because, until the county raises its tax to match the city's rate, the difference between the city and county rate can be entirely kept by the city and does not have to be shared with the county or be expended and distributed for school purposes.
- The proposed legislation would result in a significant fiscal impact to the local government if the outcome of any future county elections to increase the county-wide

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sales tax rate is changed as a result of allowing city voters to participate in such elections. However, due to many unknown factors, such as the number of counties that will hold a referendum on a county-wide sales tax increase, the applicable county and sales tax rates in such counties, and the extent to which this bill will directly impact election outcomes in such counties, any such fiscal impact cannot be quantified with reasonable certainty.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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